

Digital Autumn Conference

Kepler Cheuvreux

7 – 11 September 2020



Agenda

Introduction

Business update

Second quarter results



Elkem: a global company with more than 110 years of history in advanced materials

Elkem has a strong global platform combining the historic and cultural traditions of three unique business platforms

- ◆ Elkem started as a Norwegian company founded in 1904 by Sam Eyde, representing strong industrial traditions and continuous improvement
- ◆ The chemical business in France was integrated in 2015 adding a strong culture for specialisation, innovation and R&D
- ◆ The presence in China was significantly expanded in 2018, adding to the dynamic and agile business perspective, and positioning for the Asian market



Total income FY 2019

NOK **22.7** bn.



EBITDA FY 2019

NOK **2.7** bn.



EBITDA margin FY 2019

12 %



Head office in Norway

31 plants worldwide



Employees worldwide

~ **6,700**



R&D centres in Norway, France and China

>450 R&D people

Three strong business areas

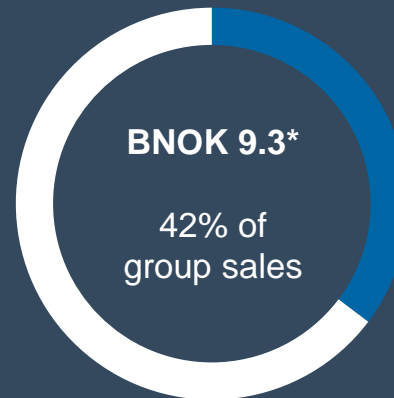
Silicones



End-markets

- Paper & Film Release
- Automotive
- Silicone Rubber
- Chemical Formulators
- Personal Care
- Textile
- Oil Field
- Construction

Silicon Products



End-markets

- Silicones
- Automotive
- Construction/Engineering
- Electronics
- Solar
- Specialty Steel
- Refractories
- Oil & Gas

Carbon Solutions



End-markets

- Ferroalloys
- Silicon
- Aluminium
- Iron Foundries

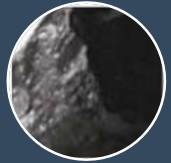
* Based on external sales FY 2019

Our products are vital for modern societies

Low cost sustainable input factors



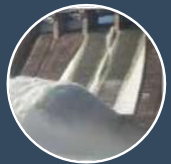
Quartz



Coal



Biocarbon



Power

High temperature/chemical production processes



Silicones



Silicon, foundry products and microsilica

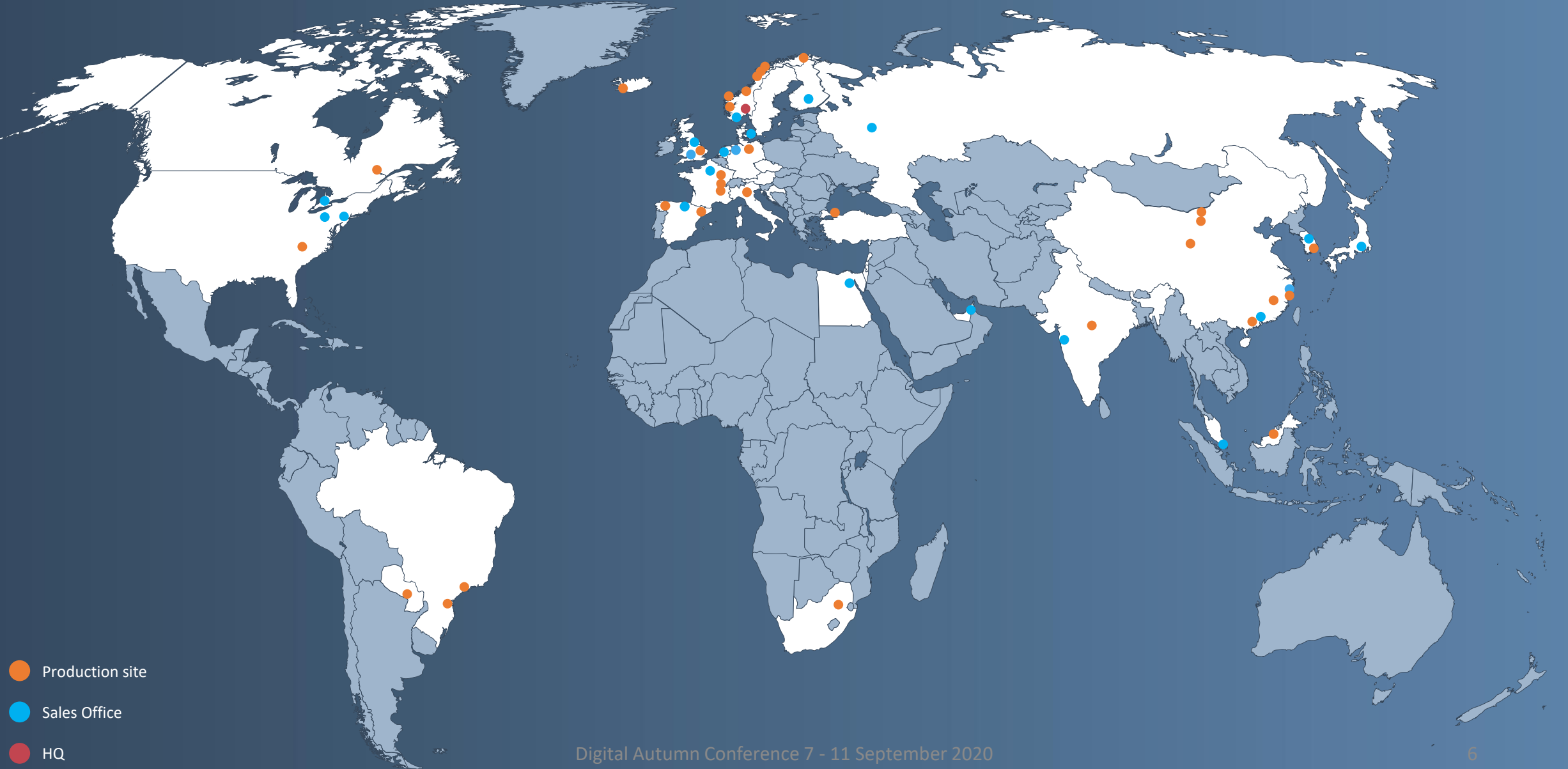


Carbon solutions

Examples of high value applications and markets



The world of Elkem



Environment, Social and Governance

A key priority



83 % share of renewables
of 2019 total electricity consumption

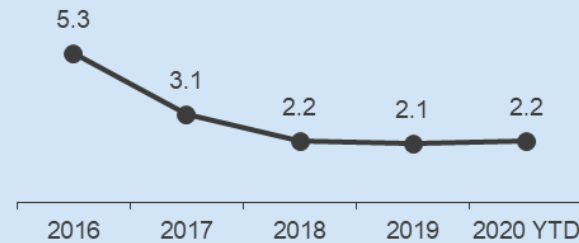


Elkem is certified as a Nasdaq ESG
Transparency Partner



Safety

Ambition zero injuries



Environment

Fossil CO2 emissions in Norway
reduced by 18% by use of biocarbon
Ambition 40% biocarbon by 2030

NOx emissions down 13% since 2015
Ambition 10% reduction in 2020



Social

Human rights; conduct impact
assessment and update policy

Ambition best practice policy standard
for whistleblower programme and
community involvement



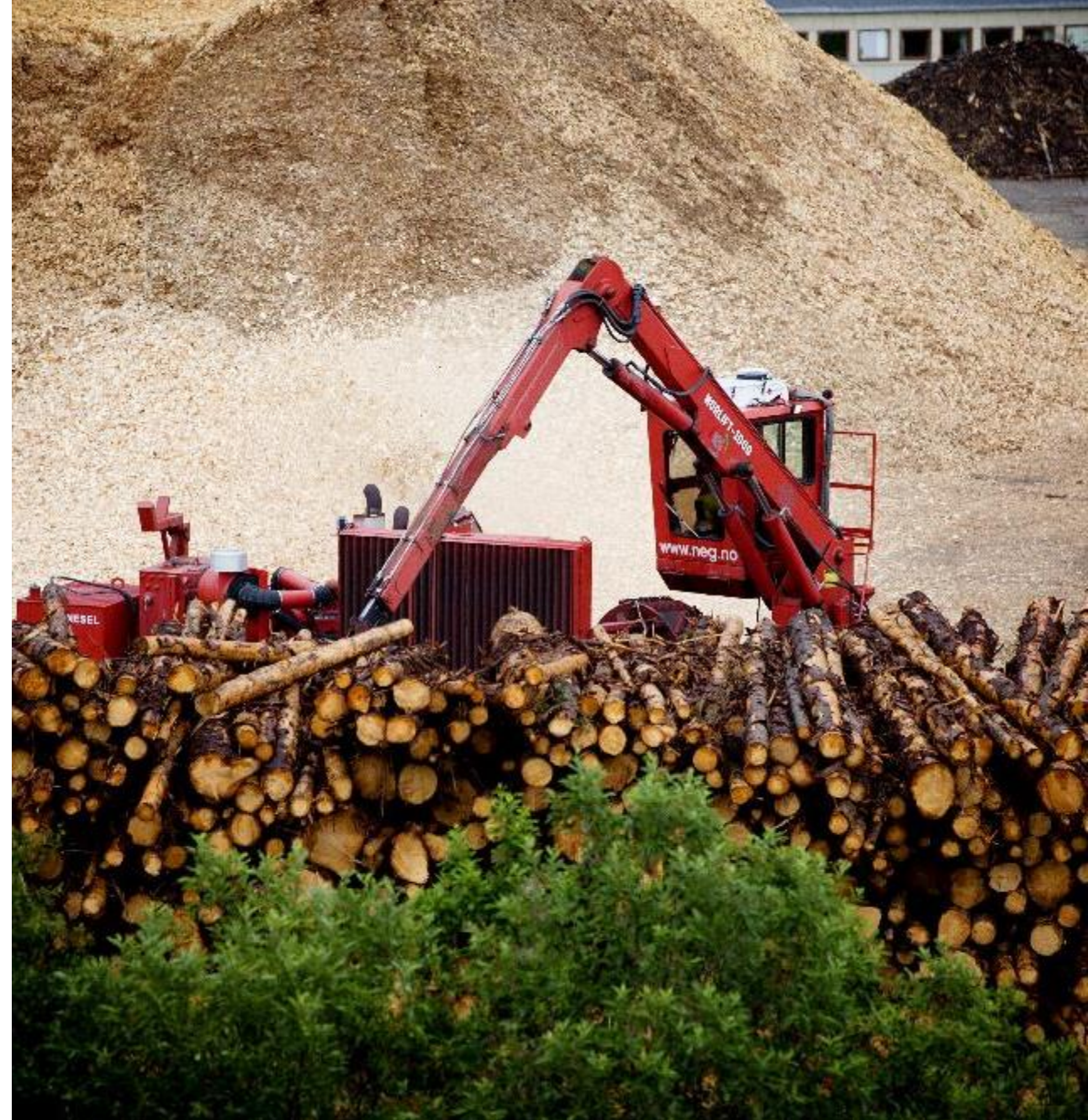
Governance

Adherence to Norwegian Code of
Practice for Corporate Governance

Employees' commitment to Code of
Conduct and Anti-bribery/corruption
policy up from 70% to 100% in 2019
Ambition maintain 100%

Biocarbon strategy for environmental sustainability

- ◆ The production of silicon and ferrosilicon require use of carbon materials
 - ▶ Carbon is used as a reducing agent in the smelting process to remove oxygen from the quartz, resulting in CO2 emissions
- ◆ The strategy is to reduce the use of fossil coal to reach sustainability goals
- ◆ Elkem has developed new breakthrough technology for production of sustainable biocarbon
 - ▶ The technology combines utilisation of low cost raw materials with high yield conversion processes
- ◆ Elkem has now decided to invest approx. MNOK 180 to establish a pilot plant in Canada for industrial verification of the product and the production process
 - ▶ The project will receive government support reducing Elkem's net investment to MNOK 60
- ◆ Elkem will search for business partners to realise full scale industrial production



Specialisation and growth

Polysil acquisition a key strategic move

- ◆ Polysil's main product areas
 - ▶ Electrical applications i.e. wire and cable accessories, insulation and connectors
 - ▶ Medical applications, i.e. catheters, drainage tubes, laryngeal masks and tubes, negative pressure ball etc.
 - ▶ Automotive, i.e. parts for high temperature and oil resistance
 - ▶ Consumer, i.e. baby feeding, kitchen ware, food preservation etc.
- ◆ Strategic rationale for the Polysil acquisition
 - ▶ Access to advanced technology, especially in Liquid Silicone Rubber (LSR) & Pressure Sensitive Adhesives (PSA)
 - ▶ Increase market share in specialties in China
 - ▶ Downstream captive use of materials from Xinghuo
- ◆ Polysil had operating revenue in 2019 of MCNY 624 with EBITDA of MCNY 116 (18%) and earnings after tax of MCNY 95
- ◆ Purchase price up to MCNY 941, consisting of base price and variable elements based on pre-defined criteria



- Located in Zhongshan in Guangdong, China
- Research and development centre with more than 50 engineers
- Leading technology positions in production and development of Heat Cured Rubber (HCR), Liquid Silicone Rubber (LSR)
- More than 350 employees

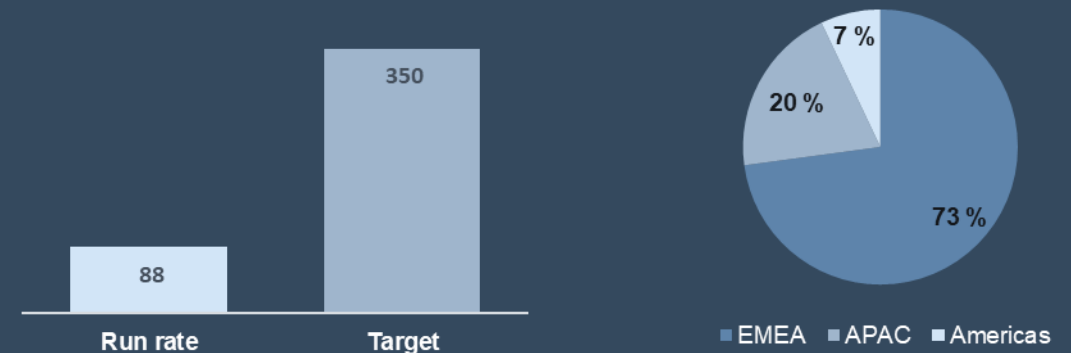
Productivity improvement programme ahead of plan

- ◆ The Productivity Improvement Programme was launched in 2020 with an identified potential of more than MNOK 350 in annual improvements
 - ▶ Permanent savings related to personnel costs
 - ▶ The programme will be finalised by the end of 2021
- ◆ The programme addresses all divisions, as well as the corporate functions. The aim is to improve Elkem's profitability to fund future growth and specialisation in line with long-term strategy
- ◆ A restructuring provision of MNOK 200 was booked in the first quarter 2020
- ◆ By end of second quarter the annual run rate was MNOK 88, which was ahead of plan. The main effects are expected in 2021
- ◆ The merger between Silicon Materials and Foundry Products is expected to enable further cost reductions



Savings run rate by end of 2Q-2020

NOK million (MNOK)



Strong competitive position demonstrated in weak markets

- ◆ Elkem had high capacity utilisation and good sales volumes in the second quarter despite very challenging market conditions
- ◆ EBITDA was NOK 644 million in the second quarter 2020, including a one-off gain of NOK 61 million from an arbitration case in Silicon Materials
- ◆ The Silicon Materials division and Foundry Products division are merged into Silicon Products with effect from 1 July 2020
- ◆ The productivity improvement programme with targeted annual savings of more than NOK 350 million, proceeds ahead of plan
- ◆ Market outlook is still characterised by high level of uncertainty due to the economic impact of Covid-19 and related government measures



Total operating income

MNOK 5,879



EBITDA

MNOK 644



EBITDA margin

11 %

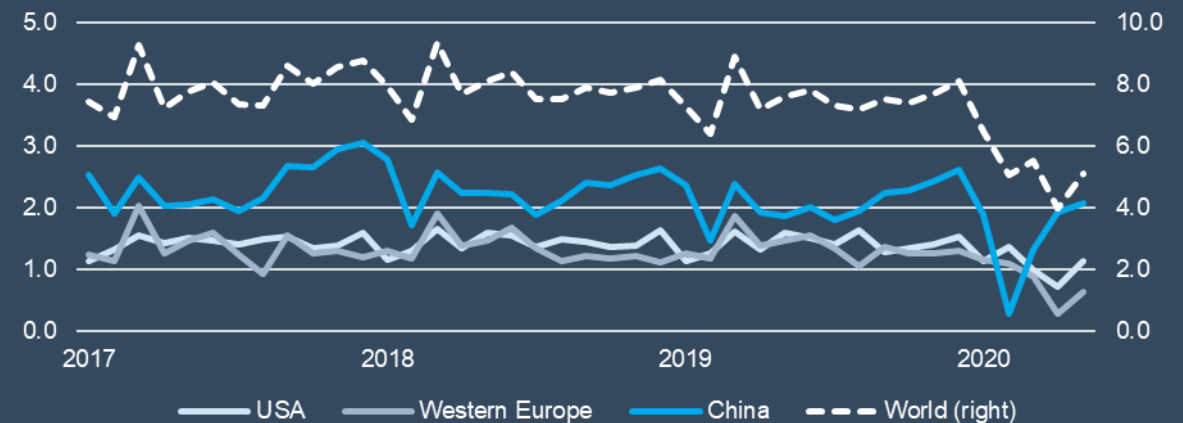


Covid-19 impacting global markets

- ◆ Elkem has generally strong sales volumes in the second quarter despite weak market conditions impacted by Covid-19
 - ▶ In the third quarter, capacity utilisation will on average be reduced to around 90% across all divisions due to maintenance and weak demand. However, Elkem's capacity utilisation will remain above industry average
- ◆ Sales prices are generally low, however Elkem is benefitting from excellent costs positions
- ◆ Construction is weak in Europe but China shows continued growth, although at lower rates than before Covid-19
- ◆ The automotive market is still weak in Europe and the US, but sales in China seem to pick up quickly



Automotive – units sold (million)



Silicones

low visibility, but China is picking up

- ◆ The global silicones market is negatively impacted by the Covid-19 situation
 - ▶ Automotive and construction are generally weak
 - ▶ Consumer products are generally holding up well
- ◆ DMC prices in China were at low levels, but recovered towards the end of second quarter
- ◆ Higher silicones prices in China were primarily due to increased demand mainly driven by the government's CNY 50 trillion new infrastructure policy
- ◆ Silicones customers indicate limited visibility going forward as time and pace of recovery is highly uncertain



DMC reference price China (CNY/mt)



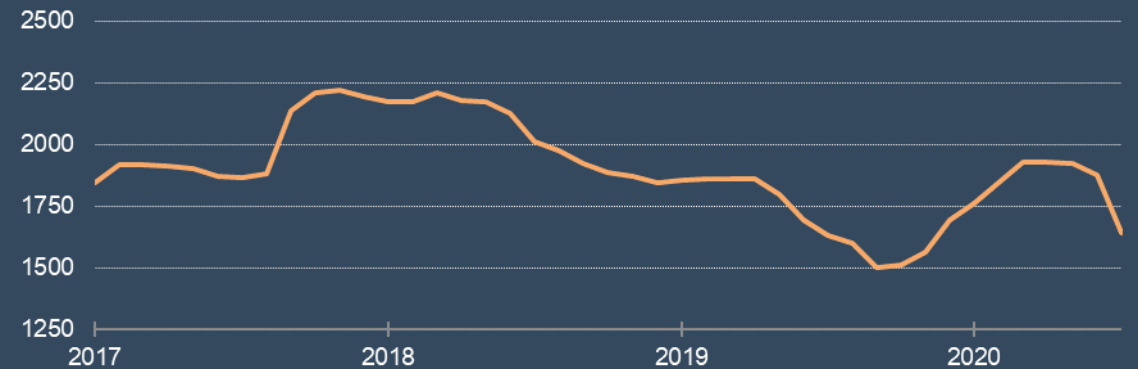
Silicon

weak market development

- ◆ CRU EU reference prices for silicon were holding up for most of 2Q-2020
 - ▶ However, reference prices were lagging the underlying market development
 - ▶ The delayed impact was reflected in a clear downturn in reference prices at the end of the quarter
- ◆ The demand from end-user segments have been mixed in the second quarter
 - ▶ Aluminium has been down due to weakness in automotive
 - ▶ Chemicals have been negatively impacted by Covid-19
 - ▶ Electronics/solar grade polysilicon has been holding up well



CRU silicon 99 price EU (EUR/mt)



Ferrosilicon

low demand driving prices down

- ◆ Market prices for ferrosilicon (FeSi) have dropped significantly in the second quarter
- ◆ Weak ferrosilicon demand impacted by low steel consumption, which has been largely driven by weakness in automotive and construction
- ◆ Low European price level for ferrosilicon limits the incentives for imports, lowering the risk for a further price decline

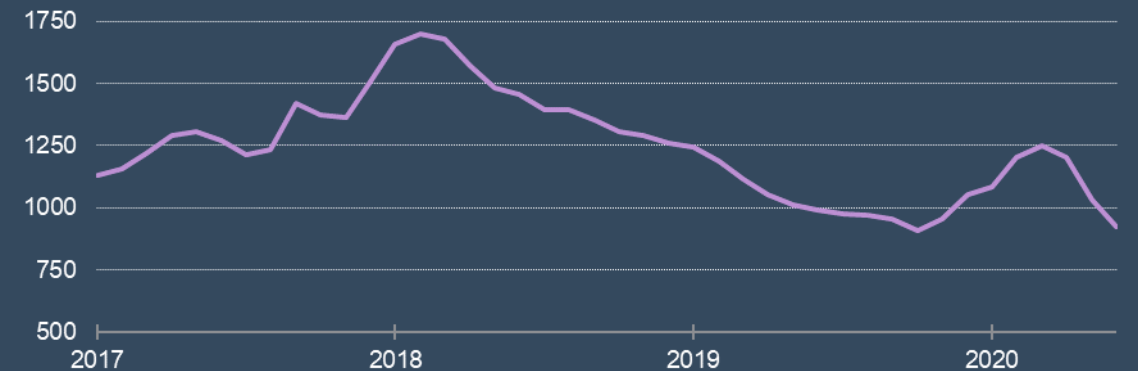
Carbon

lower demand, but stable prices

- ◆ Lower demand for electrodes and carbon material due to weakness in automotive and construction markets
- ◆ Uncertain development due to Covid-19 impact on global industry production



CRU ferrosilicon 75 price EU (EUR/mt)

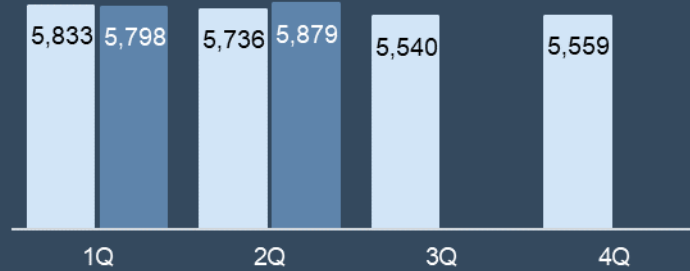


Elkem group

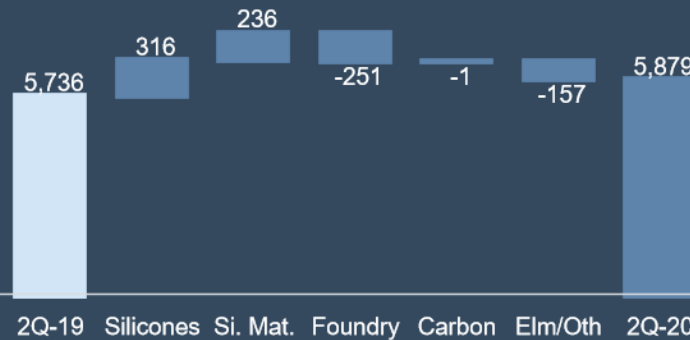
stable operating income and EBITDA

Total operating income

- Operating income up 2% compared to 2Q-2019

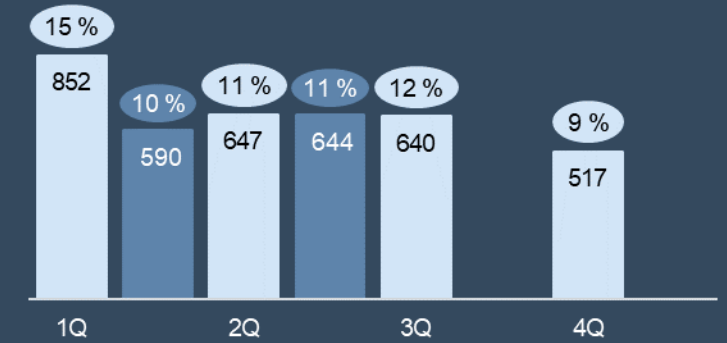


- Increase driven by Silicones and Silicon Materials

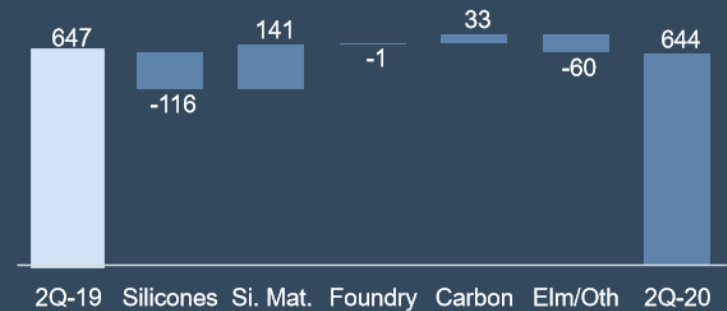


EBITDA

- In line with 2Q-2019



- Lower result in Silicones offset by Silicon Materials and Carbon



■ 2019 ■ 2020

Elkem group currency losses in financial items and other items

- ◆ Other items MNOK -107
 - ▶ Positive fair value changes in commodity contracts MNOK 60 more than offset by negative value changes in embedded derivatives in power contracts MNOK -51 and negative currency effects MNOK -120, mainly consisting of translation effects on bank deposits and working capital

- ◆ Net financial items MNOK -93
 - ▶ Mainly explained by net interest expenses MNOK -53 and foreign exchange losses of MNOK -34 due to translation effects on inter-company loans in CNY

- ◆ Tax MNOK -16
 - ▶ Low tax expenses of MNOK -16 due to low profit

Consolidated key figures

<i>(NOK million, except where specified)</i>	2Q 2020	2Q 2019	YTD 2020	YTD 2019	FY 2019
Total operating income	5,879	5,736	11,677	11,569	22,668
EBITDA	644	647	1,234	1,499	2,656
EBIT	212	300	409	815	1,189
Other items	-107	25	22	176	195
Net financial items	-93	-108	-26	-135	-239
Profit (loss) before income tax	16	210	380	850	1,134
Tax	-16	-58	-119	-201	-237
Profit (loss) for the period ⁽¹⁾	-13	143	238	633	855
Key ratios					
EPS (NOK per share)	-0.02	0.25	0.41	1.09	1.47
Equity ratio (%)	39 %	44 %	39 %	44 %	45 %
Net interest bearing debt (NIBD) ⁽²⁾	8,122	5,110	8,122	5,110	5,722
Leverage ratio	3.4	1.3	3.4	1.3	2.2
Reinvestments % of D&A	72 %	87 %	68 %	71 %	80 %
ROCE (annualised) (%)	4 %	7 %	4 %	10 %	7 %

(1) Owners of the parent's share of profit (loss)

(2) Excluding non-current restricted deposits and interest-bearing financial assets

Silicones

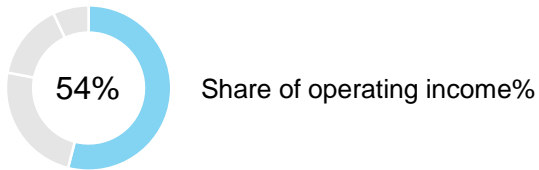
high volumes but low prices

◆ Total operating income of MNOK 3,106, up 11% from second quarter last year

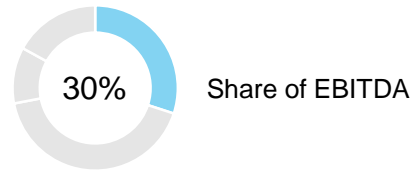
- ▶ Increased operating income mainly explained by higher sales volumes and the consolidation of Polysil, partly offset by lower prices

◆ EBITDA of MNOK 217, down 35% from second quarter last year

- ▶ Lower EBITDA was mainly explained by lower sales prices in China
- ▶ In addition, the EBITDA was negatively impacted by low sales of specialties due to weak markets, particularly automotive
- ▶ Polysil was consolidated from April and has made positive contribution to the EBITDA



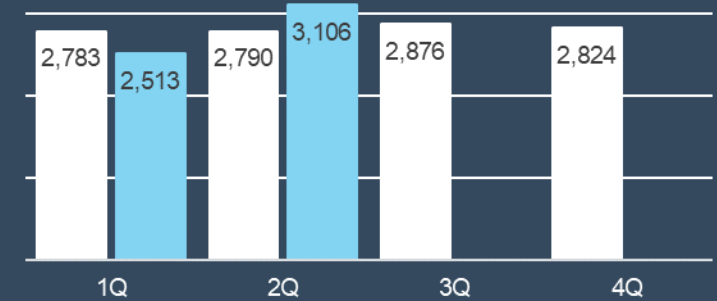
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

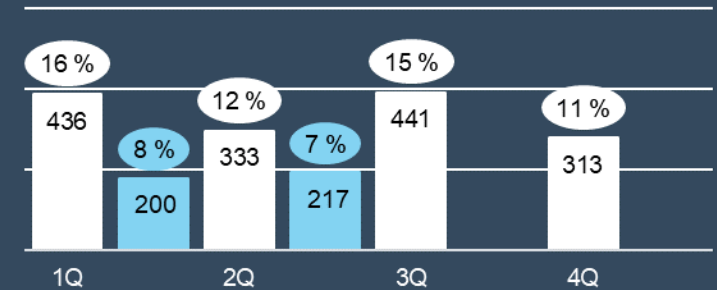
Total operating income

NOK million



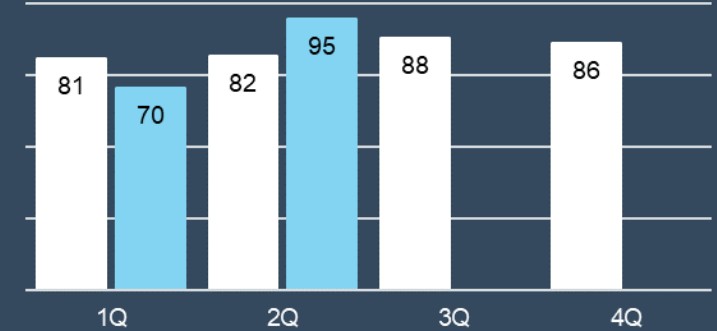
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt

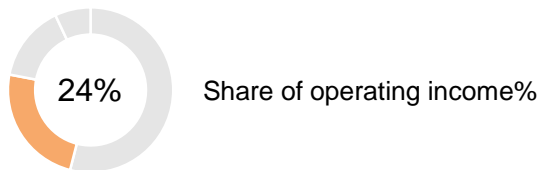


■ 2019 ■ 2020

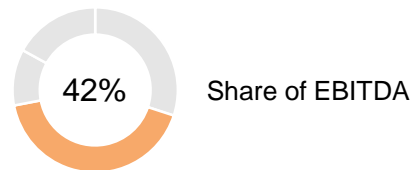
Silicon Materials

strong result supported by one-off

- ◆ Total operating income of MNOK 1,842, up 15% compared to second quarter 2019
 - ▶ Higher operating income explained by higher prices and positive currency impact
- ◆ EBITDA of MNOK 303, up 87% compared to second quarter last year
 - ▶ Mainly explained by higher sales prices and positive currency impact
 - ▶ One-off gain of NOK 61 million from settlement of arbitration case due to breach of contract by customer



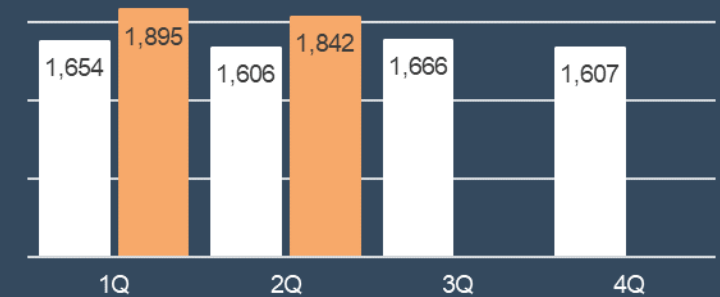
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

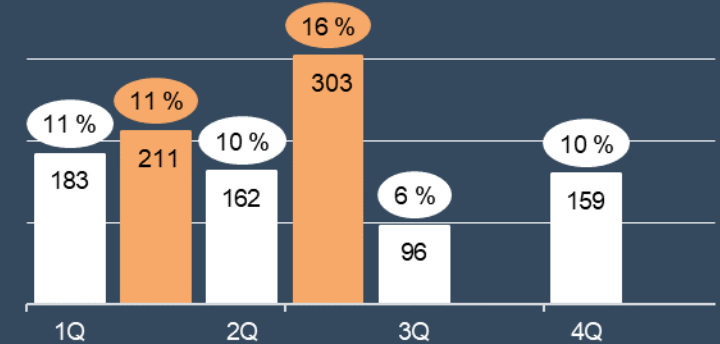
Total operating income

NOK million



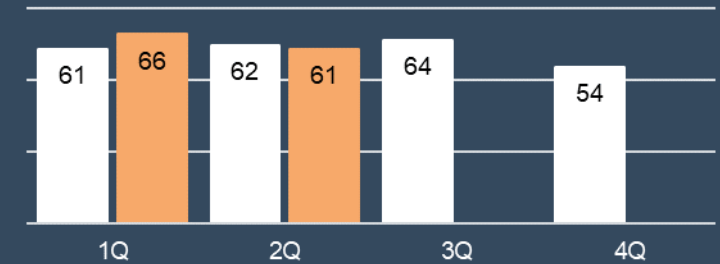
EBITDA and margin

NOK million and %



Sales volume

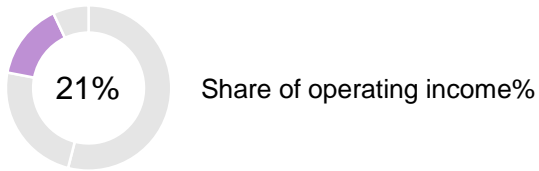
In 1,000 mt



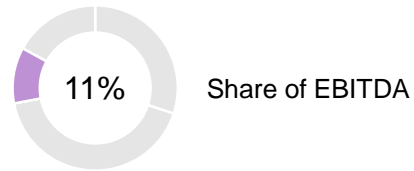
■ 2019 ■ 2020

Foundry Products weak steel and automotive markets

- ◆ Total operating income of MNOK 944, down 21% from second quarter last year
 - ▶ Explained by lower sales volumes for both specialty alloys and ferrosilicon
- ◆ EBITDA of MNOK 80, in line with corresponding quarter last year
 - ▶ Lower sales volumes compensated by positive cost development, mainly lower operating costs



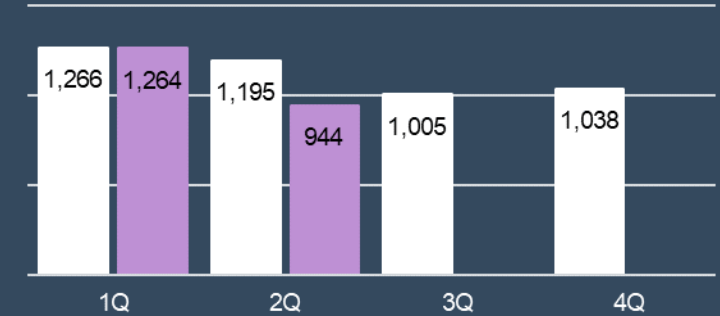
Share of operating income from external customers ex. Other



Share of EBITDA ex. Other and Eliminations

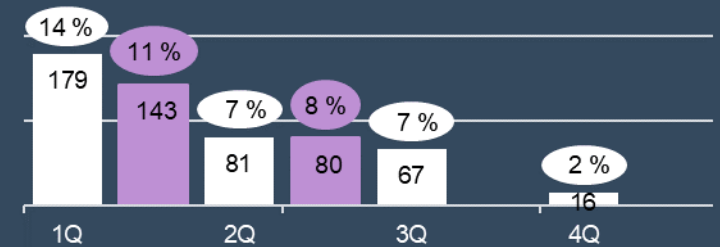
Total operating income

NOK million



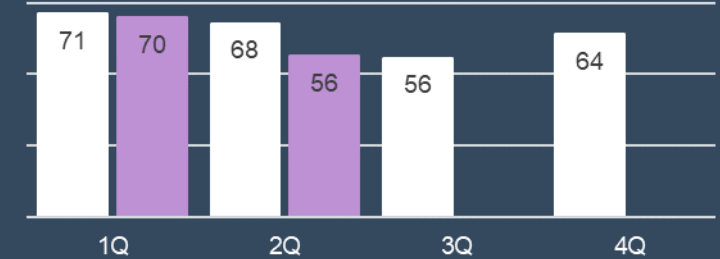
EBITDA and margin

NOK million and %



Sales volume

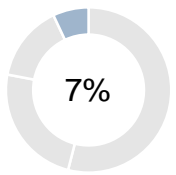
In 1,000 mt



■ 2019 ■ 2020

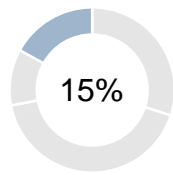
Carbon another strong quarter

- ◆ Total operating income MNOK 480, in line with corresponding quarter last year
 - ▶ Better pricing and favourable currency compensating for lower sales volumes
- ◆ EBITDA MNOK 119, up 38% from second quarter last year
 - ▶ Improved EBITDA mainly explained by improved product mix and lower operating cost



Share of operating income%

Share of operating income from external customers ex. Other

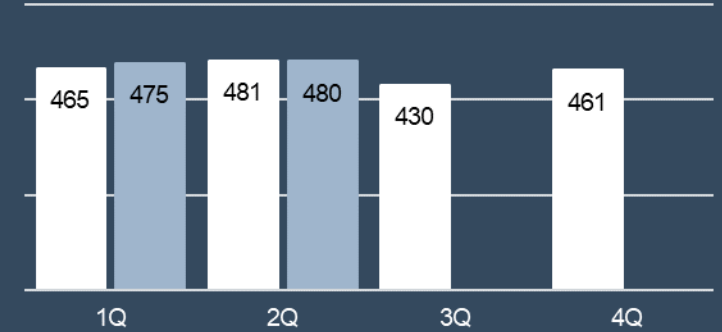


Share of EBITDA

Share of EBITDA ex. Other and Eliminations

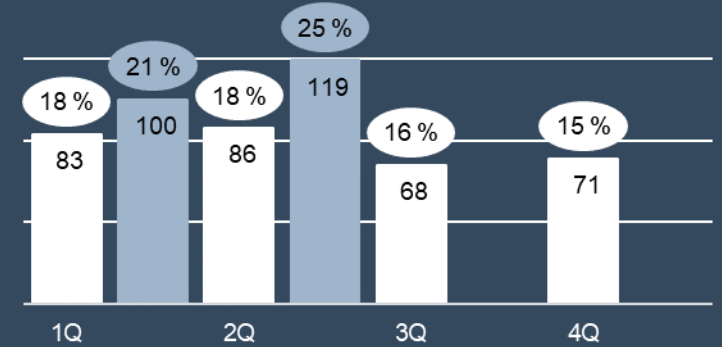
Total operating income

NOK million



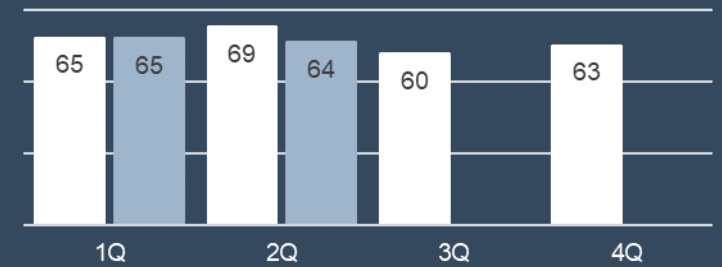
EBITDA and margin

NOK million and %



Sales volume

In 1,000 mt



■ 2019 ■ 2020

Elkem group

lower EPS, equity ratio affected by currency

◆ Earnings per share (EPS)

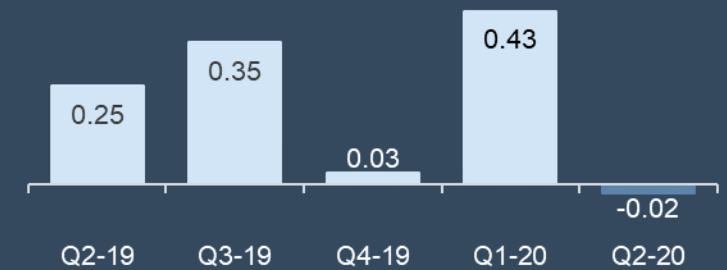
- ▶ EPS amounted to NOK -0.02 in the second quarter
- ▶ Negatively impacted by losses in other items and foreign exchange losses in financial items

◆ Total equity amounted to BNOK 12,8 as at 30 June, slightly down from year-end 2019

- ▶ Equity ratio of 39%
- ▶ Lower equity ratio explained by dividend payment and increased value of total assets due to currency translation effects

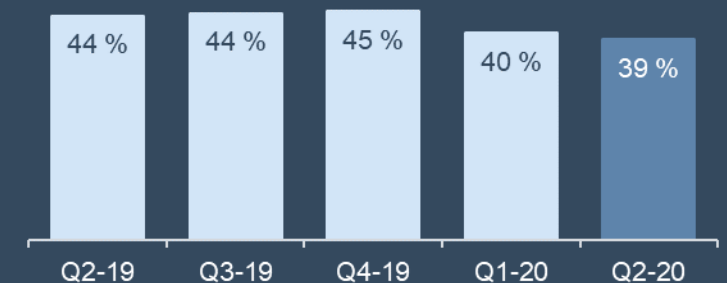
Earnings per share (EPS)

NOK per share



Equity ratio

In %



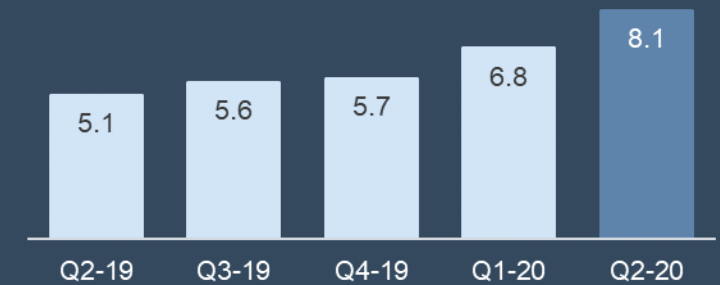
Elkem group higher net debt due to acquisition

- Net interest bearing debt (NIBD) amounted to BNOK 8.1 as at 30 June 2020
 - Leverage ratio of 3.4 based on LTM EBITDA of BNOK 2.4
 - Increase in leverage ratio compared to previous quarter explained by dividend payment and closing of Polysil acquisition

- Well distributed debt maturity profile
 - Debt maturities in 2020 mainly consist of local working capital financing in China, which is expected to be rolled over
 - New loan facility of BNOK 2.0 signed 16 July to cover loan maturities in 2021

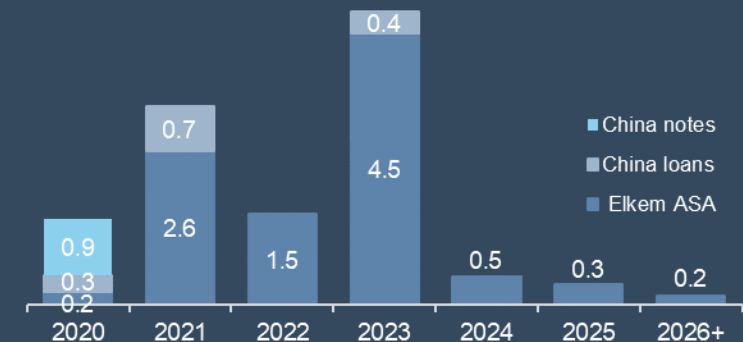
Net interest-bearing debt (NIBD)

NOK billion



Maturity profile

NOK billion



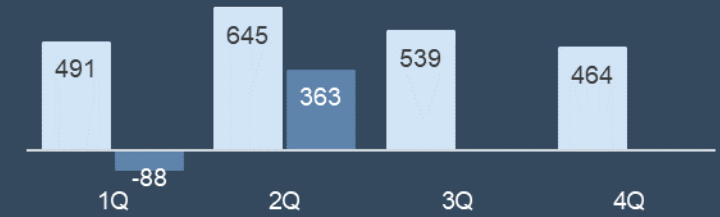
Elkem group cash flow impacted by working capital

- ◆ Cash flow from operations⁽¹⁾ was MNOK 363 in the second quarter, down from the corresponding quarter last year
 - ▶ 2Q-2019 contained a significant reduction of working capital
- ◆ Investments ex. M&A amounted to MNOK 499 in the second quarter 2020
 - ▶ Reinvestments was MNOK 307 in the quarter, amounting to 72% of D&A
 - ▶ Strategic investments of MNOK 192, primarily Silicones R&D centre and other specialisation projects, furnace upgrades for Silicon Materials biocarbon project in Foundry Products and the Carbon battery project
- ◆ Total investments in the second quarter included MNOK 792 for acquisition of subsidiaries in connection with the closing of Polysil

(1) Cash flow from operations is according to Elkem management definition and includes reinvestments

Cash flow from operations

NOK million



Investments ex. M&A

NOK million



■ 2019 ■ 2020

Outlook for the third quarter

- ◆ Markets characterised by low visibility due to Covid-19 effects
- ◆ Elkem's competitive position is strong, based on good cost positions, diversified product and geographic positions and robust financial structure
- ◆ Silicones demand in China is good, driven by government incentives, but sales prices may be volatile. Silicones demand outside of China is weak, negatively impacting the sales of specialty products
- ◆ Silicon and ferrosilicon prices substantially down, based on weak demand from automotive and construction
- ◆ Lower industrial activity also expected to reduce demand for Carbon materials



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Any statement, estimate or projection included in this presentation (or upon which any of the conclusions contained herein are based) with respect to anticipated future performance (including, without limitation, any statement, estimate or projection with respect to the condition (financial or otherwise), prospects, business strategy, plans or objectives of the company and/or any of its affiliates) may prove not to be correct.

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